

Roseville Joint Union High School District



Public Agency Review



Office of Audit Services

**Employer Code: 0235-032
Job Number: P09-040**

July 2010

ROSEVILLE JOINT UNION HIGH SCHOOL DISTRICT

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RESULTS IN BRIEF

We reviewed the Roseville Joint Union High School District's (District) enrolled individuals, retirement contributions, member earnings, and required retirement documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- Special compensation (value of uniforms) was not reported.
- Payrate and regular earnings were not in accordance with salary schedule.
- Retired annuitant worked more than 960 hours and was not reinstated.

BACKGROUND

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

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The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

The Roseville Joint Union High School District was established in 1912 and is comprised of an area of approximately 108 square miles in Placer and Sacramento Counties. The District is a political subdivision of the State of California. The District is currently operating five high schools, one continuation education school, one adult education school, and an independent study program. Labor agreements and employment agreements outline all District employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The Placer County Schools, which includes the District, contracted with CalPERS, effective July 1, 1949, to provide participation in CalPERS for local miscellaneous employees. The District's certificated employees (i.e., school teachers) participate in the State Teachers' Retirement System.

Individual school districts within Placer County Schools input their members' payroll into the Placer County School payroll system. The Placer County Office of Educations (COE) reports the monthly payroll for the school districts through CalPERS' Automated Communications Exchange System (ACES). The individual school districts are responsible for making the necessary changes during the school year to the employee's position, assignment, salary rate, and the addition or deletion of employees to the payroll system. The COE audits the information provided by the Districts for any errors/discrepancies prior to entering the transactions into ACES.

The members reported on the payroll listing are grouped by unit codes. The unit code is a unique number assigned to the COE and each of the school districts that are reporting to CalPERS under the same employer code. The Placer County Schools, employer code 0235, is comprised of the County Office of Education and 17 school districts. We reviewed the COE and six school districts.

For the purpose of reporting the results of our review, we used Employer Code 0235 in our review reports and the corresponding unit codes for the school districts reporting under this employer code.

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Following are the unit codes of the District, COE, and the school districts we reviewed:

Placer County Office of Education – Unit Code 050

Sierra Joint Community College District – Unit Code 042

Rocklin Academy – Unit Code 062

Tahoe-Truckee Unified School District – Unit Code 021

Alta-Dutch Flat Union Elementary School District – Unit Code 002

Newcastle Elementary School District – Unit Code 012

Roseville Joint Union High School District – Unit Code 032

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the District's payroll reporting and enrollment processes as these processes relate to the Placer County School's retirement contracts with CalPERS. The objective of this review was limited to the determination that the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures were followed. The on-site fieldwork for this review was conducted on February 8, 2010 through February 12, 2010.

The review period was limited to the examination of sampled records and processes from July 1, 2006 through June 30, 2009. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the contract and subsequent amendments the Placer County Schools had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the District had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures.

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- ✓ Reviewed the payroll transactions and compared the District's payroll register with the data reported to CalPERS to determine whether the District correctly reported employees' compensation.
- ✓ Reviewed the District's payroll information reported to CalPERS for the sampled employees to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the District's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the District's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the District's classification of employees to determine whether the District reported employees in the appropriate coverage groups.
- ✓ Reviewed the District's calculation and reporting of unused sick leave balances for retiring members.

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RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The District may not accurately report compensation to CalPERS.	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of 12 classified employees, including 12-month and 11-month employees, over fiscal year 2008/09.</p> <p>The earnings reported to CalPERS were reconciled to the District's payroll records. The District accurately reported compensation to CalPERS for the sampled employees, except for the following instance:</p> <p><u>Value of Uniforms Provided Not Reported</u></p> <p>The District required the employees working in maintenance, grounds, and food service departments to wear uniforms. The uniforms were purchased and provided to the employees by the District. However, the District did not report the value of these uniforms to CalPERS as special compensation.</p> <p>Government Code, § 20636.1(c)(6), states, "The board shall promulgate regulations that delineate more specifically and exclusively what constitutes special</p>	<p>The District should report the value of uniforms for employees who are required to wear uniforms. The District should also verify that this information is included in the written labor agreements the District has with various labor groups for whom the uniforms are required.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>compensation as used in this section. A uniform allowance, the monetary value of employer-provided uniforms ... shall be included as special compensation...."</p> <p>California Code of Regulations, § 571(a)(5), defines uniform allowance as, "Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are for personal health and safety such as protective vests, pistols, bullets, and safety shoes."</p> <p>California Code of Regulations, § 571(b)(1), states, "The Board has determined that all items of special compensation listed in subsection (a) are: Contained in a written labor policy or agreement."</p>	<p>The District should work with CalPERS ERSD to assess the impact of this non-reporting and determine what adjustments, if any, are needed.</p>
<p>2. The District may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS and reconciled the payrates to the District's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. Our sample testing for fiscal year 2008/2009 revealed the District correctly reported payrates for the employees tested except for one sampled employee, whose reported payrate and regular earnings was not in</p>	<p>Payrates and earnings should be reported in accordance with publicly available salary schedules.</p> <p>The District should work with CalPERS ERSD to assess the impact of this incorrect reporting</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>2. The District may not report payrates in accordance with publicly available salary schedules. (continued)</p>	<p>accordance with the District's salary schedule.</p> <p>Specifically, during each pay period of fiscal year 2008/2009, the District paid this employee regular earnings of \$6,765.72 and vacation of \$676.19, which totaled \$7,441.91, and reported this amount as payrate and earnings. However, the salary schedule listed the monthly payrate for this position as \$7,269.00. Therefore, the District over reported \$172.91 in payrate and regular earnings each pay period during fiscal year 2008/2009.</p> <p>Government Code, § 20636.1, defines compensation earnable by a school member as the payrate and special compensation of the member.</p> <p>Government Code, § 20636.1(b)(1), states, "Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours."</p> <p>Government Code, § 20636.1(d), states, "Notwithstanding any other provision of law, payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny."</p>	<p>and to determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
3. The District may not accurately report payroll information to CalPERS.	We reviewed the payroll information reported to CalPERS for the 2008/2009 fiscal year to determine if payroll information was correctly reported to CalPERS. Payroll information reviewed included work schedule codes, pay codes, contribution codes, contribution types (tax deferred or normal) and service period types. Our sample testing revealed that the District correctly reported the payroll information to CalPERS.	None.
4. The District may not enroll all eligible employees into CalPERS membership.	<u>Optional Membership</u> Elected officers of a county superintendent of schools, school district, or community college district who serve on a public commission, board, council, or similar legislative or administrative body are eligible for optional rights if they continuously served in the office held on June 30, 1994. The District did not have any board members that were elected prior to July 1, 1994. As a result, the District's board members did not have optional membership rights and were properly excluded from CalPERS membership.	None.
	<u>Temporary/Part-time Employees</u> We selected a sample of three part-time employees and examined the number of hours worked in fiscal years 2007/2008 and 2008/2009 to determine whether they reached or exceeded the 1,000 hour membership eligibility	None.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>criterion. Our testing revealed that one sampled employee did not meet membership eligibility requirements and was properly excluded from membership. The other two sampled employees that completed 1,000 hours in a fiscal year were properly enrolled into CalPERS membership.</p> <p><u>Independent Contractor</u></p> <p>We reviewed the District's IRS 1099 Miscellaneous Income forms for calendar years 2008 and 2009 in order to identify employees that may be misclassified as independent contractors. The five sampled individuals were properly classified as independent contractors and were correctly excluded from CalPERS membership.</p>	<p>None.</p>
<p>5. The District may unlawfully employ retired annuitants.</p>	<p>We selected a sample of four annuitants who were employed by the District during the review period. Our sample testing revealed that the annuitants did not work more than the 960 hour criterion, except in one instance. Specifically, during fiscal year 2008/2009, one sampled retired annuitant worked a total of 1,198 hours by the end of March 2009 and was not reinstated into membership.</p> <p>Government Code, § 21229(a), states, "A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by this system upon appointment by a school employer or by the Trustees of</p>	<p>The District should review all hours worked in a fiscal year by all retired annuitants and reinstate those who exceed the 960 hour criterion.</p> <p>The District should work with CalPERS BNSD to assess the impact of this issue and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The District may unlawfully employ retired annuitants. (continued)	the California State University either during an emergency to prevent stoppage of public business or because the retired employee has skills needed in performing specialized work of limited duration, if that service does not exceed, in a fiscal year, a total of 960 hours for all employers. The retired person's rate of pay for this employment shall not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties."	A confidential list identifying the retired annuitant mentioned in this section of the report was sent to the District and CalPERS BNSD as an appendix to our draft report.
6. The District may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the District reported individuals under the appropriate coverage group code.	None.
7. The District may not accurately report unused sick leave balances for retiring CalPERS members.	We selected a sample of four retirees and reviewed their balances of unused sick leave hours at retirement to determine if the District accurately reported unused sick leave days to CalPERS. Our testing revealed that the District accurately reported unused sick leave balances to CalPERS.	None.

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CONCLUSION

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the District's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

MARGARET JUNKER, CIA, CPA
Interim Chief Auditor,
Office of Audit Services

Date: July 2010

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APPENDIX

DISTRICT'S WRITTEN RESPONSE



Roseville Joint Union High School District

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July 13, 2010

Nancy Sayers
CalPERS
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

Re: Employer Code: 0235-032
Job Number: P09-040

Dear Ms. Sayers:

I am in receipt of the Public Agency Review from CalPERS on behalf of the Roseville Joint Union High School District, dated June 2010. The District acknowledges the three issues brought to our attention in terms of the stated three risk factors:

- Risk 1 – Special Compensation
- Risk 2 – Payrate and regular earnings
- Risk 5 – Retired annuitant

The District will be in the process of resolving these three issues while working with CalPERS to correct these findings and then take corrective action to mitigate these risk factors in the future.

Sincerely,

Mark Montalvo

MM/lj

Cc: Gary Stevens
Kimberlee Johnson